

VZCZCXRO8276
PP RUEHLH RUEHPW
DE RUEHIL #0137 0100129
ZNY CCCCC ZZH
P 100129Z JAN 08
FM AMEMBASSY ISLAMABAD
TO RUEHC/SECSTATE WASHDC PRIORITY 4305
INFO RUEATRS/DEPT OF TREASURY WASHDC
RHEBAAA/DEPT OF ENERGY WASHDC
RUEHNE/AMEMBASSY NEW DELHI 2618
RUEHBUL/AMEMBASSY KABUL 8028
RUEHLO/AMEMBASSY LONDON 7024
RUEHML/AMEMBASSY MANILA 2914
RUEHKP/AMCONSUL KARACHI 8591
RUEHLH/AMCONSUL LAHORE 4526
RUEHPW/AMCONSUL PESHAWAR 3184
RUMICEA/USCENTCOM INTEL CEN MACDILL AFB FL
RHMFISS/CDR USCENTCOM MACDILL AFB FL

C O N F I D E N T I A L ISLAMABAD 000137

SIPDIS

SIPDIS

E.O. 12958: DECL: 01/09/2013

TAGS: [ENRG](#) [ECON](#) [EFIN](#) [EINV](#) [PREL](#) [PK](#)

SUBJECT: GOP APPROVES SIGNING OF IRAN-PAKISTAN PIPELINE

REFS: A) 07 ISLAMABAD 4578, B) 07 ISLAMABAD 4274, C) 07 ISLAMABAD

2593, D) 07 ISLAMABAD 1059, E) 07 ISLAMABAD 543

11. (U) This is an action request. Please see para five.

Pakistan approves signing of Iran-Pakistan pipeline

12. (SBU) The GOP approved the gas sale purchase agreement with Iran on January 8, which paves the way for signing the Iran-Pakistan pipeline agreement. The agreement is set to be signed in late January, but Econoff was told that no funding source has yet been identified. Both countries agreed to review the gas pricing formula whenever the relationship between the Japan LNG and Japan crude oil mix changes. Pakistan's request to Iran for a 1.05 billion cubic feet per day gas allocation was also approved January 8. Estimated cost of the project using a 36 inch pipeline without India drops from \$7.2 billion to approximately \$2.5 billion. India, however, may opt to participate in the project at any time. The GOP estimates that the pipeline will be operational in five years.

Comment

13. (C) Pakistan's decision to go ahead with the Iranian pipeline is not without ramifications, which the GOP is well aware. This issue has been raised many times by U.S. officials with their Pakistani counterparts (reftels). Musharraf's statement on the Iranian Foreign Minister's January 4 visit that he would not tolerate any "external pressure to abandon the project would be tolerated." Pakistan has few good options for finding additional energy supplies. While it does have a good gas exploration-discovery ratio, it would be difficult to find enough domestic reserves to replicate the 1.05 billion cubic feet that the Iranians are purportedly offering.

14. (C) Comment continued: In addition, as energy and power shortages in the aftermath of the Bhutto assassination have shown, Pakistan cannot satisfy its current energy needs (septel) and any significant disruption of supply has serious consequences. While Pakistan says that it has not yet identified a funding source, we have heard that Gazprom is interested. We will wait to see whether this project, once signed, actually comes to fruition. End comment.

Action request

15. (C) Action request: Post recognizes the ramifications for U.S.-Pakistan policy of Pakistan's decision, particularly in the

absence of Indian participation. We would appreciate an analysis of the sanctions implications for both the GOP and any private Pakistani or other entities that might eventually participate in this project. In addition, we would appreciate any Washington agency suggestions on what the U.S. can do in the short term to mitigate Pakistan's energy woes. We also recommend that Washington prepare press guidance and brief the Hill on Pakistan's motivations for concluding this agreement. End action request.

PATTERSON